

Message Text

PAGE 01 NATO 06146 151155Z

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C O N F I D E N T I A L USNATO 6146

E.O. 11652: GDS 79

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SUBJ: A. NAC MEETING 19 DECEMBER 1973, ITEMS IV, V, VI, AND VII,
1974 BUDGET ESTIMATES FOR NATO MILITARY HEADQUARTERS
AND AGENCIES

B. DPC MEETING 19 DECEMBER 1973, ITEMS I, II, III, AND IV,
1974 BUDGET ESTIMATES FOR NATO MILITARY HEADQUARTERS
AND AGENCIES

REF: C-M(73)85 (NOT YET PUBLISHED), USNATO 6141 AND 6144

SUMMARY. REF DOCUMENT IS COMPILATION OF ALL 1974 BUDGET ESTIMATES
FOR NATO INTERNATIONAL MILITARY HEADQUARTERS AND AGENCIES FUNDED
BY THE FOURTEEN AND BY THE FIFTEEN. IT IS SCHEDULED TO BE APPROVED
BY THE NAC AND DPC ON 19 DECEMBER. ACTION REQUESTED. AUTHORIZATION
TO APPROVE REF DOCUMENT. END SUMMARY.

1. THE TOTAL ESTIMATED MILITARY BUDGET FOR 1974 IS APPROXIMATELY
BF 5.4 BILLION BASED ON FIXED CEILING. THE BREAKDOWN IS AS FOLLOWS:

IN BF MILLIONS

A. BUDGETS RECOMMENDED FOR APPROVAL BY DPC 2,870.58
CONFIDENTIAL

PAGE 02 NATO 06146 151155Z

(14 NATIONS)

B. BUDGETS RECOMMENDED FOR APPROVAL BY NAC 1,772.98

(15 NATIONS)

C. ANNUAL BUDGET NET YET APPROVED (NADGE) 384.00

D. POTENTIAL ADDITIONAL LIABILITIES	372.44
WITHING GLOBAL CEILING	-----
TOTAL	5,400.00

2. THE US SHARE OF THE TOTAL ESTIMATED 1974 BUDGET PLANNING FIGURE OF BF 5.4 BILLION, BASED ON PRESENT COST SHARING FORMULAE (I.E., US SHARE OF 30.16 PCT OF THE FOURTEEN BUDGETS AND 25 PCT OF THE FIFTEEN BUDGETS) WOULD AMOUNT TO APPROXIMATELY \$37.8 MILLION. HOWEVER, AS IN PAST YEARS, THE COUNCILS WILL BE REQUESTED TO APPROVE ONLY THE BUDGETS ON WHICH THE MILITARY BUDGET COMMITTEE HAS TAKEN A DECISION, AMOUNTING TO BF 5,027.56 MILLION, THE SUM OF PARAS 1.A, 1.B, AND 1.C ABOVE. THE US SHARE OF THIS AMOUNT IS ESTIMATED AT \$35.1 MILLION. THE US CASH CONTRIBUTION AGAINST THAT AMOUNT IS ESTIMATED AT LESS THAN THAT FIGURE AS EXPERIENCE HAS SHOWN THAT TOTAL CALL-UP OF CONTRIBUTIONS IN ANY YEAR IS LESS THAN THE AMOUNT BUDGETED. IN THE CASE OF CY 1974, CALL-UP IS ESTIMATED AT 90 PCT, OR \$31.6 MILLION US SHARE. DOLLAR CALCULATIONS HEREIN ARE BASED ON CURRENT RATE OF EXCHANGE OF BF 40 TO THE DOLLAR. ON THAT BASIS, MISSION UNDERSTANDS THAT USAREUR FUNDING IS ADEQUATE TO MEET THE US COMMITMENT.

3. IN VIEW OF INFLATIONARY TENDENCY, MBC HAS INCLUDED THE FOLLOWING PARAGRAPHS IN THE REFERENCED DOCUMENT:

QUOTE 12. IN THE PREVAILING FINANCIAL CLIMATE, THE COMMITTEE HOLDS NO EXPECTATION OF SIGNIFICANT INCREASES IN NATIONAL CONTRIBUTIONS TO THE MILITARY BUDGETS. INCREASES IN PERSONNEL COSTS COMBINED WITH FINANCIAL LIMITS ON FUNDS INEVITABLY RESULT IN DECREASES IN VITAL PROGRAMS AND PROJECTS IN OTHER AREAS, I.E., MAINTENANCE, TRAVEL AND SPARE PARTS FOR SOPHISTICATED COMMUNICATIONS SYSTEMS. TO AVOID UNACCEPTABLE REDUCTIONS IN THESE OPERATIONAL AREAS, IT SEEMS NECESSARY TO THE COMMITTEE TO MEET INCREASING PERSONNEL COSTS BY REDUCED STAFFING OF CURRENT ESTABLISHMENTS, BASED ON REVIEWS OF ORGANIZATION AND METHODS OR CURTAILMENT OF TASKS.

15. DURING 1973, THE APPROVAL OF SUPPLEMENTARY BUDGETS AND
CONFIDENTIAL

PAGE 03 NATO 06146 151155Z

AUTHORIZATIONS OF ADDITIONAL EXPENDITURE HAS BEEN EFFECTED IN THE LIGHT OF STATEMENTS OF MILITARY PRIORITY AGREED BY THE MILITARY COMMITTEE. THE COUNCIL HAS ALREADY BEEN INFORMED OF THIS PROCEDURE, WHICH WILL CONTINUE TO BE IMPLEMENTED IN 1974. THE EFFECTS OF THIS PROCEDURE IN GENERATING A CLOSE MATCH OF MILITARY PRIORITY WITH AVAILABLE FINANCIAL RESOURCES ARE LIKELY TO BE MORE POSITIVE IN 1974, OWING TO THE FACT THAT THE GLOBAL CEILING FOR THE INTERNATIONAL MILITARY BUDGET HAS BEEN MAINTAINED AT THE SAME LEVEL AS FOR 1973 UNQUOTE.

4. TO PROTECT THE US POSITION IN CONTINUING BURDEN SHARING DISCUSSIONS, REF DOCUMENT ALSO INCLUDES THE FOLLOWING STATEMENT:

QUOTE 13. IN APPROVING THIS REPORT, THE US WISHES TO NOTE
THE CURRENT NEGOTIATIONS ON BURDEN SHARING. SINCE A REDUCTION
OF THE US CONTRIBUTION TO MILITARY BUDGETS IS ONE OF THE REMEDIES
BEING CONSIDERED UNDER OPTION 8 OF C-M(73)93, THE US CANNOT AT
THIS TIME COMMIT ITSELF TO PAY IS PERCENTAGE OF THE 1974
MILITARY BUDGETS BASED ON THE PRESENT COST SHARING FORMULE.
UNQUOTE

5. MISSION REQUESTS AUGHORITY OF APPROVE C-M(73)85 AND THE
INDIVIDUAL BUDGETS DESCRIBED THEREIN DURING DPC/NAC MEETINGS
ON 19 DECEMBER. RUMSFELD

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<< END OF DOCUMENT >>

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